REPORT SUMMARY BRIEFING January 2006

DEFENSE ACQUISITION PERFORMANCE ASSESSMENT

Outline

- The Context
- The Task
- The Project
- The Process
- Performance Improvements
- Next Steps

The Context - Perceptions

"…the entire structure within the department of Defense needs to be reexamined and in great detail….there is growing and deep concern about the acquisition process within the Department of Defense and in the Committee." ***Acting Deputy Secretary of Defense Gordon England to the Senate Armed Services Committee, June 7, 2005***

"…The committee is concerned that the current Defense Acquisition Management Framework is not appropriately developing realistic and achievable requirements within integrated architectures for major weapons systems based on current technology, forecasted schedules and available funding…." ***House Conference Report # 109-89 - HR-1815 - Title VIII – Acquisition Policy, Acquisition Management, and Related Matters p. 355***

"The committee is…..concerned that problems with organization structure, shortfalls in acquisition workforce capabilities, and personnel instability continue to undermine the performance of major weapons systems programs…Problems occur because Department of Defense's weapon programs do not capture early on the requisite knowledge that is needed to efficiently and effectively manage program risks…..The committee believes that one answer can be found in the inability of the Department to address the budget and program stability issues. ….Funding and requirements instability continue to drive up costs and delays the eventual fielding of new systems." ***Senate Report 109-069 – S1042 Title VIII-Acquisition Policy, Acquisition Management and Related Matters –p. 341***

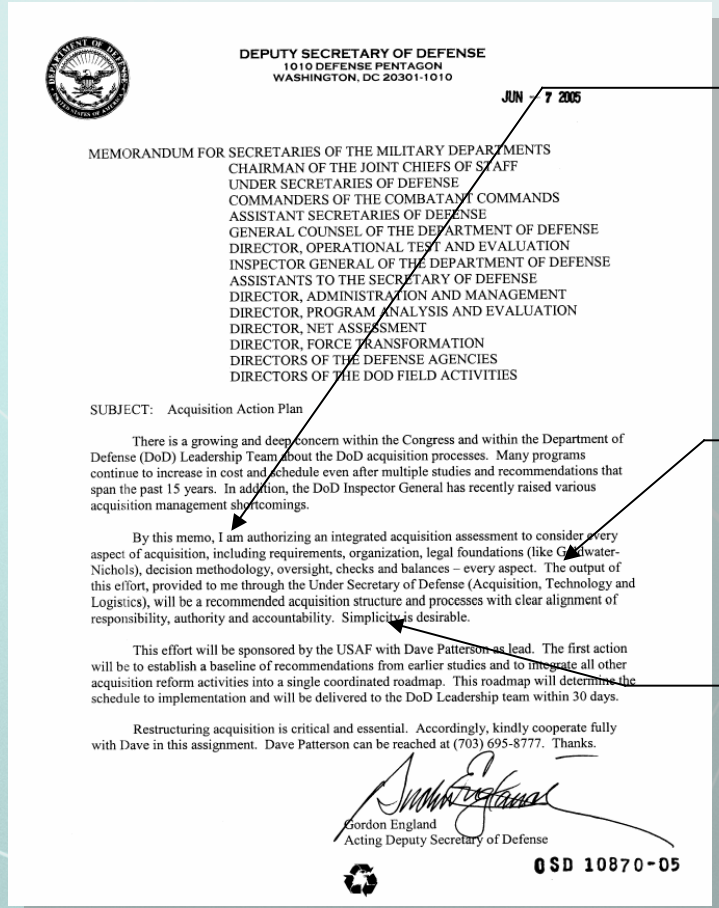
The Context - The Assignment

- **The assignment was complex and difficult**
  - Cost and schedule instability - problems since the Civil War
  - No standard, consistent and coherent cost tracking
  - 128 previous studies, including the 1985 Packard Commission
  - Problems persist—why?
- **Our Conclusion cover a broad scope of recommendations**
  - Problems are deeply imbedded in many DoD management systems
    - Not just acquisition
  - A radical approach to improvements is needed
    - Improve processes
    - Adapt processes to new security environment
- **Performance Improvement is not without risk**
  - Historically, the imperative has been to deliver the best performance
  - Current Acquisition System delivered the foundation of our military power
  - The Acquisition System is, and must remain, our strategic advantage

Caveat: The potential for unintended consequences must be considered carefully. U.S. weapon systems are unmatched throughout the world and must remain so.

The Task

sued by Acting Deputy Secretary of Defense England, 7 June 200



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

JUN 7 2005

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
COMMANDERS OF THE COMBATANT COMMANDS
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
DIRECTOR, NET ASSESSMENT
DIRECTOR, FORCE TRANSFORMATION
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Acquisition Action Plan

There is a growing and deep concern within the Congress and within the Department of Defense (DoD) Leadership Team about the DoD acquisition processes. Many programs continue to increase in cost and schedule even after multiple studies and recommendations that span the past 15 years. In addition, the DoD Inspector General has recently raised various acquisition management shortcomings.

By this memo, I am authorizing an integrated acquisition assessment to consider every aspect of acquisition, including requirements, organization, legal foundations (like Goldwater-Nichols), decision methodology, oversight, checks and balances – every aspect. The output of this effort, provided to me through the Under Secretary of Defense (Acquisition, Technology and Logistics), will be a recommended acquisition structure and processes with clear alignment of responsibility, authority and accountability. Simplicity is desirable.

This effort will be sponsored by the USAF with Dave Patterson as lead. The first action will be to establish a baseline of recommendations from earlier studies and to integrate all other acquisition reform activities into a single coordinated roadmap. This roadmap will determine the schedule to implementation and will be delivered to the DoD Leadership team within 30 days.

Restructuring acquisition is critical and essential. Accordingly, kindly cooperate fully with Dave in this assignment. Dave Patterson can be reached at (703) 695-8777. Thanks.

Gordon England
Acting Deputy Secretary of Defense

OSD 10870-05

"... I am authorizing an integrated acquisition assessment to consider every aspect of acquisition, including requirements, organization, legal foundations...decision methodology, oversight, checks and balances — every aspect... "

"The output... will be a recommended acquisition structure and processes with clear alignment of responsibility, authority and accountability."

"Simplicity is desirable…. Restructuring acquisition is critical and essential."

The Task – DAPA Panel and Support Teams

The Panel

Lieutenant General Ron Kadish USAF (Ret)

Partner, and VP Aerospace Market Group
Booz, Allen Hamilton

Panel Chairman

Dr. Gerald Abbott
Professor – Industrial College of the Armed Forces, NDU

Mr. Frank Cappuccio
Executive Vice President – Lockheed Martin Corporation

General Richard Hawley, USAF (Ret)
Aerospace Consultant

General Paul Kern, USA (Ret)
The Cohen Group

Mr. Don Kozlowski
Former Vice President, McDonnel Douglas Corporation

Mr. J. David Patterson, Project Director
Ms. K. Eileen Giglio, Deputy Project Director

Advisors

Dr. Francis W. Ahearn
Professor – Industrial College of the Armed Forces, NDU

Dr. Linda S. Brandt
Professor – Industrial College of the Armed Forces, NDU

Ms. Judy A. Stokley
Deputy for Acquisition – Air Armament Center

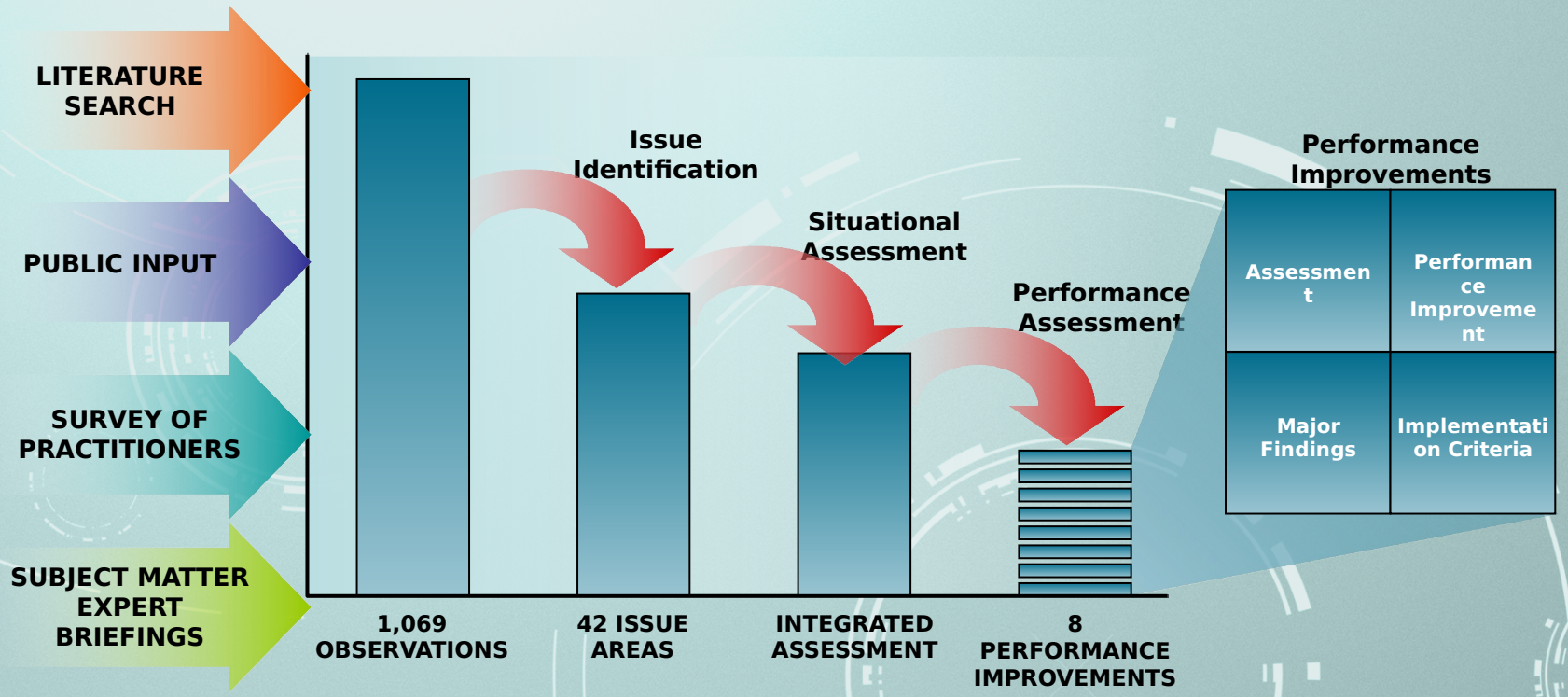
Mr. Alfred G. Hutchins, Jr.
President – Hutchins & Associates, Inc.

Support Staff

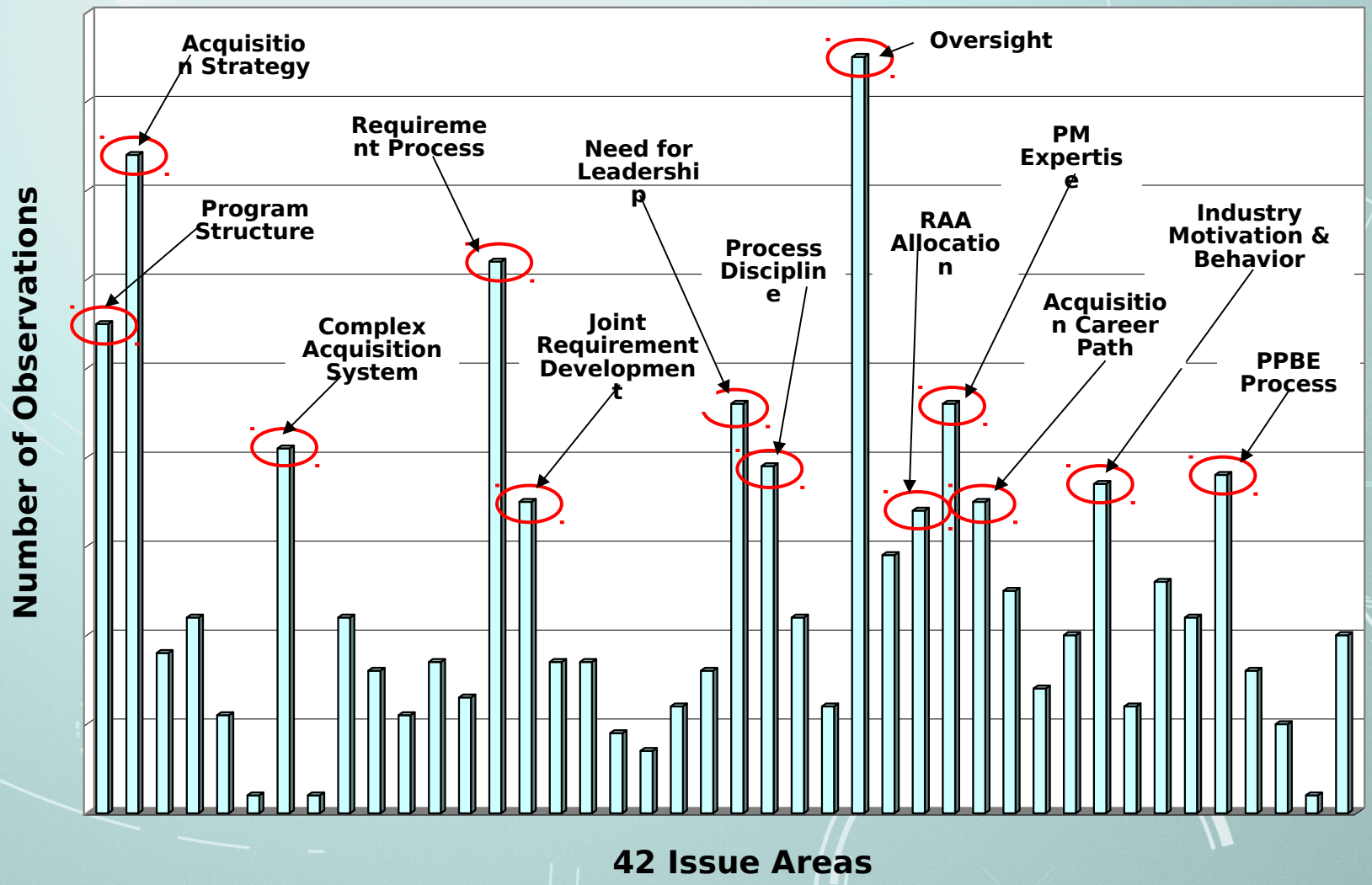
Lt. Col. Rene Bergeron, USAF
Lt. Col. Annette Foster, USAF
Mr. Stephen Hayes, USA
Ms. Maggie Souleyret
Ms. Annette Atoigue

The Process – Performance Assessment

- Reviewed over 1,500 documents to establish baseline of previous recommendations
- Held open meetings and maintained a public web-site to obtain public input
- Heard from 107 experts, received over 170 hours of briefings
- Surveyed over 130 government and industry acquisition professionals
- Developed 1,069 observations
- Identified 42 areas of interest
- Created integrated acquisition performance assessment
- Defined eight performance improvements in six broad areas



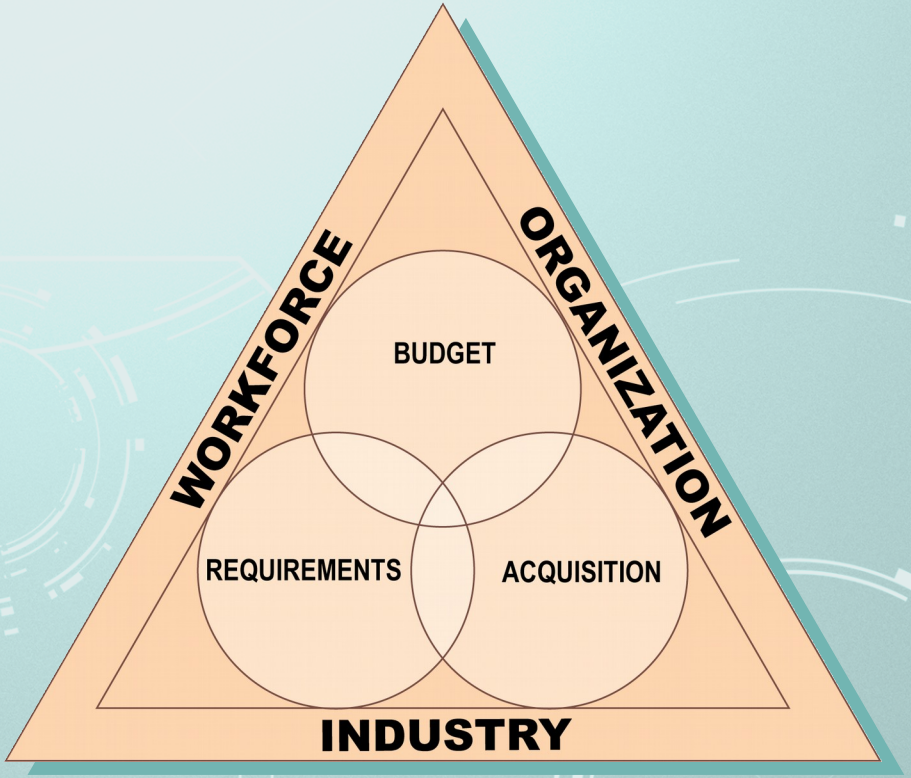
The Process – Integrated Look at Key Issues



The Process – Our Integrated Assessment

An effective acquisition system requires stability and continuity that can only be achieved through integration of the major elements upon which it depends. For example:

Organization, Workforce, Budget, Requirements, Acquisition, and Industry, as well as Leadership and Congressional Oversight.



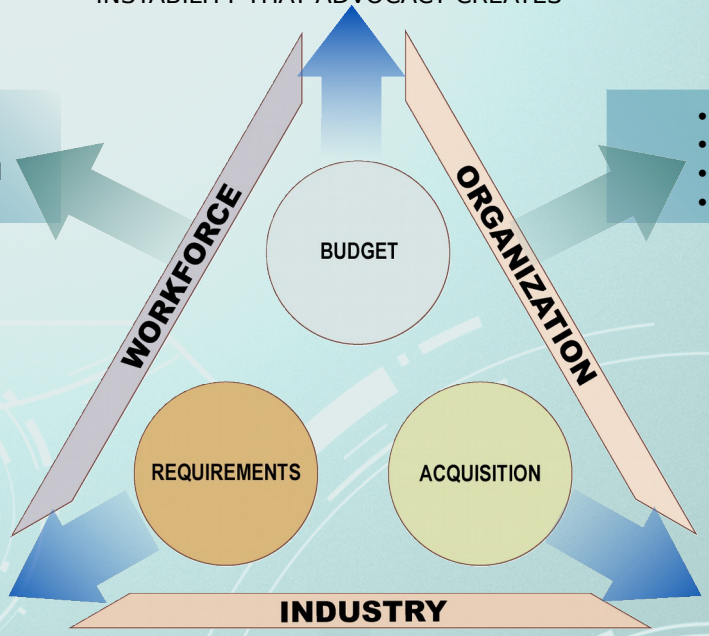
In Theory - Cohesive and Stable

The Process – A Disconnected System

There are fundamental disconnects in DoD management systems and Congressional oversight, driven by competing values and objectives that create government-induced instability in our acquisition programs

HOW MUCH AND WHEN TO BUY
- CONTROL, OVERSIGHT AND BALANCE INSTABILITY THAT ADVOCACY CREATES

- STABILITY
- TRAINING
- JOB SATISFACTION
- EXPERIENCE



- COMPLIANCE
- CONSISTENCY
- CONTROL
- OVERSIGHT

WHY AND WHAT TO BUY
- MISSION SUCCESS AT LOWEST COST IN LIFE
- SERVICE ADVOCACY

HOW TO BUY
- BALANCE OF COST, SCHEDULE AND PERFORMANCE
- TECHNOLOGY AVAILABLE vs. PERFORMANCE, COST AND TIME TO NEED

- SURVIVAL
- PREDICTABILITY
- STOCKHOLDER VALUE
- VENDOR BASE VITALITY

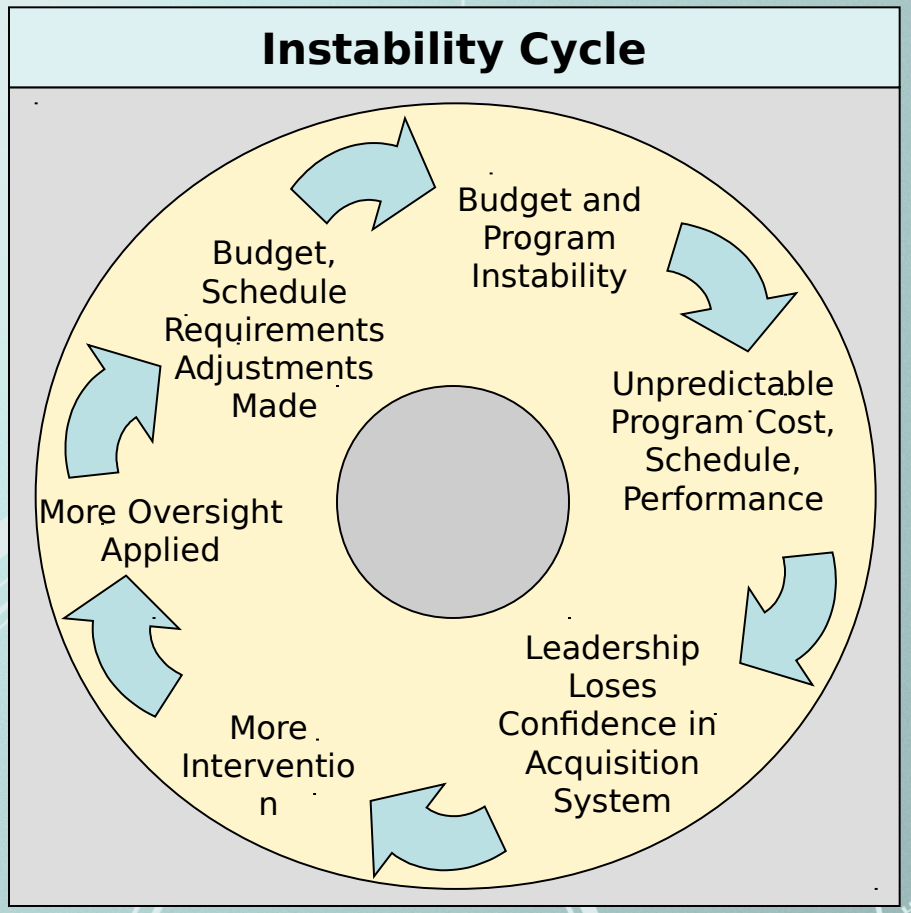
In Practice – Disconnected and Unstable (government

The Process – Government-Induced Instability

The Government-Induced Cycle of Instability

Because our major processes are not well integrated,

- we have an unrecognized , government-induced and long-standing cycle of instability
- which causes unpredictability in costs, schedule, and performance
- that ultimately results in development programs that span 15-20 years with substantial unit cost increases
- leading to loss of confidence in DoD acquisition systems.



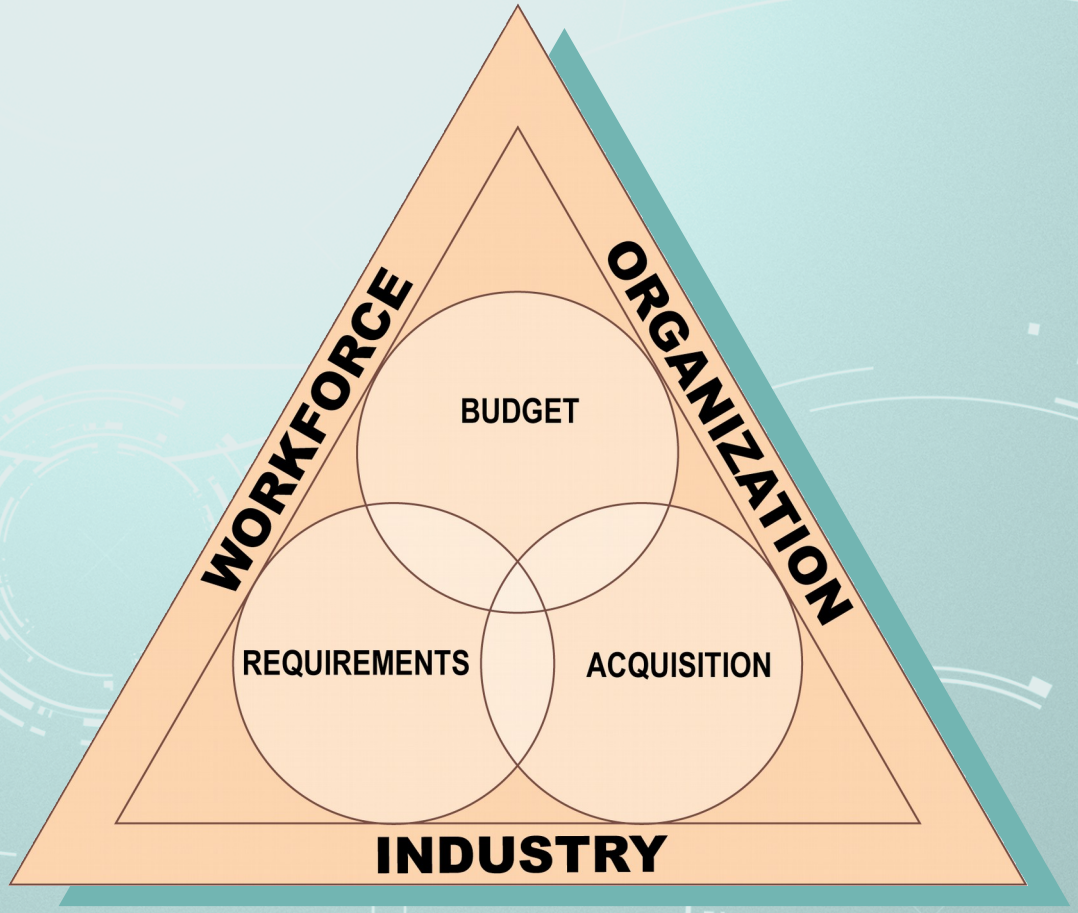
The Process – Major Findings

- **Strategic technology exploitation is a key U.S. advantage.**
- **Economic and security environments have changed**
- **The Acquisition System must deal with external Instability, changing security environment and challenging national issues**
- **The nature of defense acquisition and the defense industry have changed substantially since 1985**
- **Management based on lack of trust**
- **Oversight is preferred to accountability**
- **DoD elects short term savings and flexibility at the expense of long term cost increases**
- **DoD management model based on lack of trust - oversight is preferred to accountability**
- **Oversight is complex, it is program-focused – not process-focused**
- **Complex acquisition processes do not promote success–they increase cost and schedule**
- **Incremental Improvement to one process requires that all processes are stable – they are not**

For incremental improvement (applied solely to the acquisition process) to achieve success, DoD processes must be stable – <u>they are not</u>

The Process – Improving Performance

Reducing government-induced instability through transformation of these key elements of the Acquisition system can reduce cost, enhance acquisition performance and accelerate key capabilities by years.



Performance Improvements – Overview

Organization

- Realign authority, accountability and responsibility at the appropriate level
- Increase Stature and Authority of USD(AT&L)
- Make the USD(AT&L a voting member of the JROC
- Establish Four Star Systems Commands for Acquisition
- Streamline the oversight process

Requirements

- Replace JCIDS with COCOM-led requirements procedures in Services, and DoD agencies must compete to provide solutions
- Add an "operationally acceptable" test evaluation category
- Give program managers explicit authority to defer non-KPP requirements to later blocks or spirals

Workforce

- Rebuild and value the acquisition workforce
- Make Acquisition a core competency in the Services
- Stabilize leadership

Budget

- Enhance the Planning, Programming, Budgeting and Execution System by programming to high confidence estimates
- Establish a distinct Acquisition Stabilization Account

Acquisition

- Adopt a risk-based source selection process
- Shift to time-certain development
- Make schedule a Key Performance Parameter
- Reposition Milestone B to occur after Preliminary Design Review

Industry

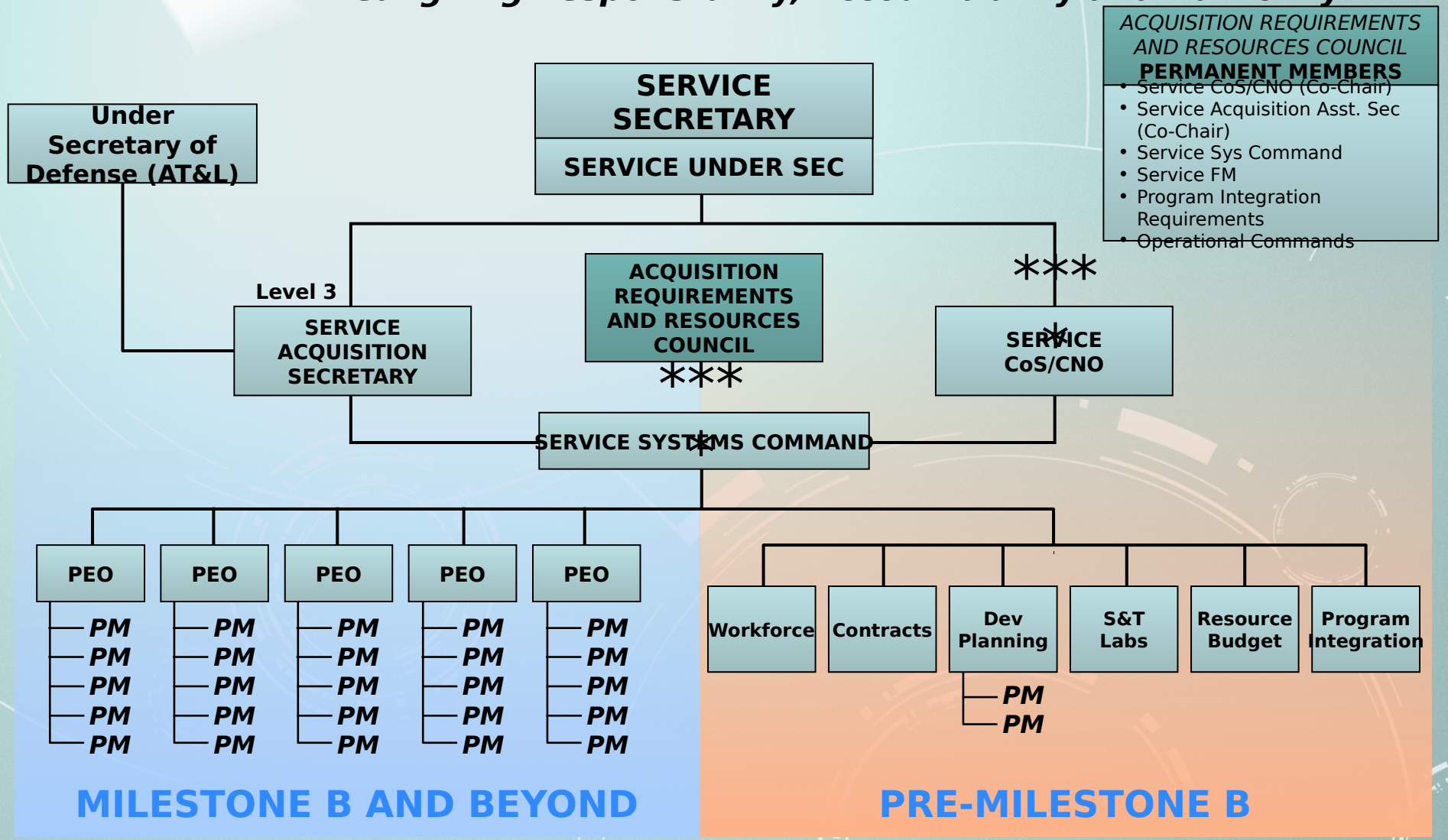
- Sharing long range plans with Industry
- Restructure competitions to motivate industry to invest in technology and performance
- Evaluate the impact of industrial consolidation and its unintended effects

Performance Improvement Organization

- Establish Four Star Systems Commands for Acquisition
- Elevate the Service Acquisition Executives and the Under Secretaries of all the Services to Executive Level 3
- At Milestone B, assign accountability to the SAEs and through them to the 4-Star System Commands
- Designate the USD/ATL as full member of the JROC
- USD/AT&L budget responsibility for the newly created Stable Program Funding Account
- USD/ATL operate Materiel Solution Development Process to be responsive to capabilities of the Combatant Commands
- Disestablish Acquisition IPTs
- Streamline the oversight process

Performance Improvements - Re-integrate the Services Into Acquisition

Realigning Responsibility, Accountability and Authority



Performance Improvement - Workforce

- Seek legislation to establish SAEs as 5-yr Fixed Presidential appointments
- Seek legislation to retain high performance military personnel past the limitations imposed by the DOPMA
- Request White House Liaison Office to create a pool of acquisition-qualified White House pre-cleared, non-career senior executives and political appointees, to fill executive positions
- Immediately increase the number of federal employees, offset by reductions in funding for contractor support
- Establish a consistent definition of the acquisition workforce applicable across the entire acquisition workforce
- Establish consistent and standard training, education and certification and qualifications for the acquisition workforce.
- Make Acquisition a core competency in the Services
- Stabilize leadership

Performance Improvement - Budget

- **Establish a separate Stable Program Funding Account based on Capital Budgeting, at Milestone A**
- **Establish a Management Reserve in this Account by holding termination liability at the Service Level**
- **Reduce incidences of production funding reductions or procurement quantities to resolve budget year shortfalls**
- **Enhance the Planning, Programming, Budgeting and Execution System by programming to high confidence estimates**

Performance Improvement - Budget

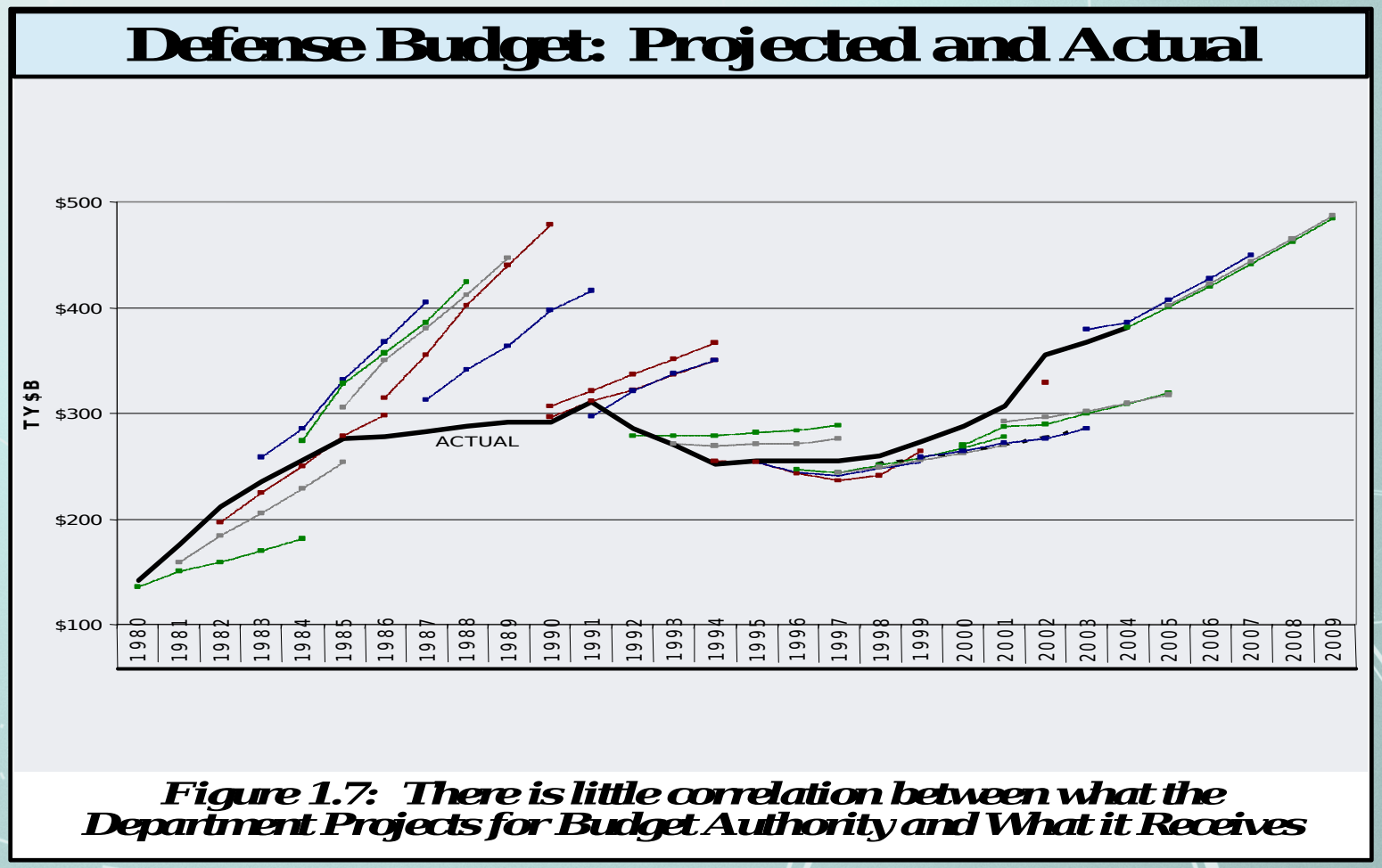
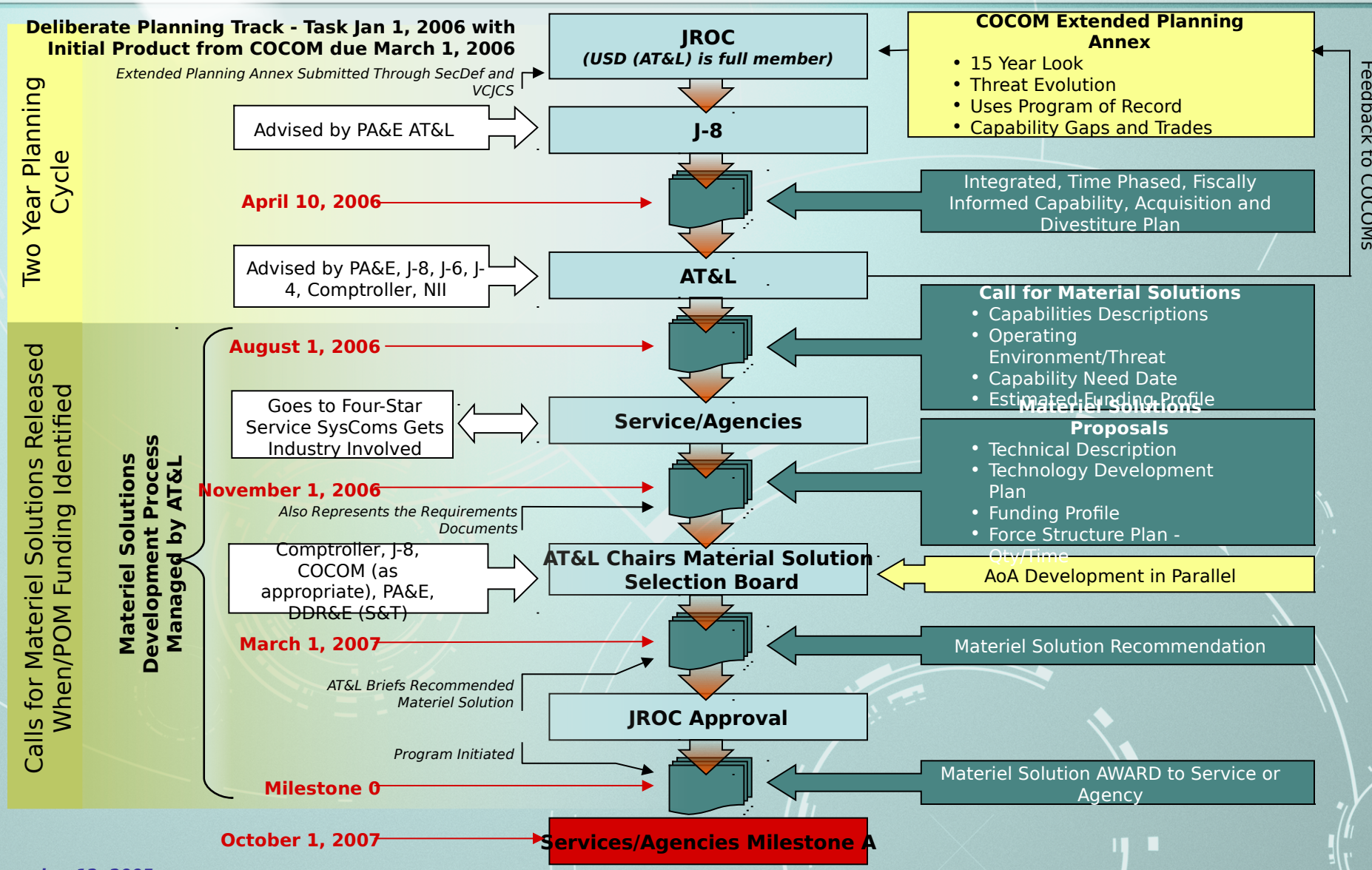


Figure 1.7: There is little correlation between what the Department Projects for Budget Authority and What it Receives

Performance Improvement - Requirements

- Replace JCIDS with Joint Capabilities Acquisition and Divestment Plan
- Task Combatant Commanders to prepare extended planning Annexes to provide 15-yr forecasts of capability gaps and excesses
- Seek legislation to create an Operationally Acceptable evaluation testing category
- Services, and DoD agencies must compete to provide capability solutions
- Reschedule achievement of non Key Performance Parameter requirements and transfer authority to the SAEs through the PEOs to PMs
- Maintain Time Certain Development
- Direct DDR&E to coordinate service science and technology transition plans with appropriate military services
- Direct Deputy DDR&E to participate in JCADs process for technology push initiatives

Performance Improvement COCOM Driven Requirements Process


Two Year Planning Cycle
Calls for Materiel Solutions Released When/POM Funding Identified
Deliberate Planning Track - Task Jan 1, 2006 with Initial Product from COCOM due March 1, 2006
Extended Planning Annex Submitted Through SecDef and VCJCS
JROC
(USD (AT&L) is full member)
COCOM Extended Planning Annex
15 Year Look
Threat Evolution
Uses Program of Record
Capability Gaps and Trades
Feedback to COCOMs
Advised by PA&E AT&L
J-8
April 10, 2006
Integrated, Time Phased, Fiscally Informed Capability, Acquisition and Divestiture Plan
Advised by PA&E, J-8, J-6, J-4, Comptroller, NII
AT&L
August 1, 2006
Call for Material Solutions
Capabilities Descriptions
Operating Environment/Threat
Capability Need Date
Estimated Funding Profile
Goes to Four-Star Service SysComs Gets Industry Involved
Service/Agencies
Materiel Solutions Development Process Managed by AT&L
November 1, 2006
Materiel Solutions Proposals
Technical Description
Technology Development Plan
Funding Profile
Force Structure Plan - Qty/Time
Also Represents the Requirements Documents
Comptroller, J-8, COCOM (as appropriate), PA&E, DDR&E (S&T)
AT&L Chairs Material Solution Selection Board
AoA Development in Parallel
March 1, 2007
Materiel Solution Recommendation
AT&L Briefs Recommended Materiel Solution
JROC Approval
Program Initiated
Milestone 0
Materiel Solution AWARD to Service or Agency
October 1, 2007
Services/Agencies Milestone A

Performance Improvement - Acquisition

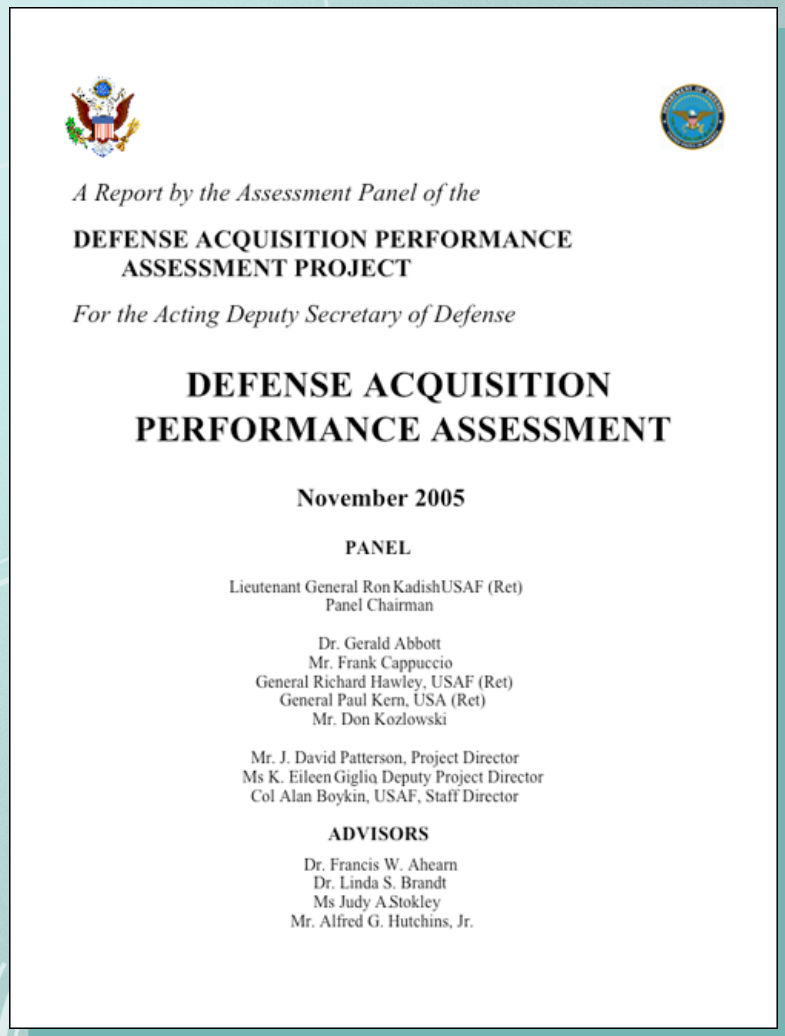
- Create acquisition strategies for each program prior to Milestone A
- Change existing source selection guidance to enhance communication to industry
- Direct changes to the DoD 5000 series to establish Time Certain Development
- Submit proposed changes to the Defense supplement to the FAR by formalizing a risk-based source selection process
- Realign Milestone B decisions to occur at Preliminary Design Review
- Direct changes to DoD 5000 series to require Test and Evaluation Master Plan and the Initial Operational Test and Evaluation Plan to be completed and signed prior to Milestone B.
- Direct the SAEs to appoint PMs to be accountable for each baseline from Milestone B to Beyond Low Rate Initial Production report.

Performance Improvement - Industry

- **Establish regular roundtable discussions hosted by the DepSec with executives from industry to share long range JCAD plans and align defense strategic planning**
- **Establish Blue Ribbon Panel of owners of large and small non traditional defense businesses to create aggressive set of recommendations with implementation plans to eliminate barriers to do business with the government**
- **Restructure competitions to motivate industry to invest in technology and performance**
- **Evaluate the impact of industrial consolidation and its unintended effects**

Next Steps

- **The Defense Acquisition Performance Assessment Panel conducted an extensive review of all aspects of the larger Acquisition System.**
- **Significant recommendations for performance improvement were developed in six elements:**
  - Organization
  - Workforce
  - Budget
  - Requirements
  - Acquisition
  - Industry
- **These Performance improvements deliver a simple acquisition structure with clear lines of accountability and enhance system stability and predictability**



A Report by the Assessment Panel of the

DEFENSE ACQUISITION PERFORMANCE ASSESSMENT PROJECT

For the Acting Deputy Secretary of Defense

DEFENSE ACQUISITION PERFORMANCE ASSESSMENT

November 2005

PANEL

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Panel Chairman

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General Paul Kern, USA (Ret)
Mr. Don Kozlowski

Mr. J. David Patterson, Project Director
Ms K. Eileen Giglio, Deputy Project Director
Col Alan Boykin, USAF, Staff Director

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